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REPORT OF THE PROGRAMME AND BUDGET COMMITTEE ON THE WORK OF ITS SEVENTEENTH SESSION

(2-4 May 2001)

CONTENTS

		Paragraphs	*Page*
Introduction		1 - 8	2
Chapter			
I.	ORGANIZATIONAL MATTERS	9 - 10	2
II.	INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2000-2001; FINANCIAL SITUATION OF UNIDO; FINANCING OF UNIDO PROGRAMMES, INCLUDING NEW INITIATIVES FOR FUNDS MOBILIZATION (items 4, 5, 13)	11 - 14	2
III.	PROGRAMME AND BUDGETS, 2002-2003; SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES; WORKING CAPITAL FUND FOR THE BIENNIUM 2002-2003 (items 6, 7, 8)	15 - 19	3
IV.	FINANCIAL REGULATIONS; INTRODUCTION OF THE EURO; FOLLOW-UP TO THE REPORT OF THE EXTERNAL AUDITOR FOR THE BIENNIUM 1998-1999 (items 9, 10, 11)	20 - 23	4
V.	APPOINTMENT OF EXTERNAL AUDITOR (item 12)	24 - 25	5
VI.	DATE OF THE EIGHTEENTH SESSION (item 14)	26	5
VII.	ADOPTION OF THE REPORT (item 15)	27	5
VIII.	CLOSURE OF THE SESSION (item 16)	28	5
Annex			
	LIST OF DOCUMENTS SUBMITTED TO THE SEVENTEENTH SESSION		6

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Introduction

1. The Programme and Budget Committee held its seventeenth session at UNIDO Headquarters, Vienna International Centre, from 2 to 4 May 2001. All 27 Members of the Committee were represented at the session: Angola, Argentina, Austria, China, Côte d'Ivoire, Cuba, Democratic People's Republic of Korea, Ecuador, Egypt, France, Germany, Greece, Hungary, India, Italy, Japan, Mexico, Nigeria, Philippines, Russian Federation, Saudi Arabia, Slovakia, Sudan, Sweden, Tunisia, Turkey and United Kingdom of Great Britain and Northern Ireland.

2. The following 49 Members of UNIDO also attended the session: Algeria, Belarus, Belgium, Bulgaria, Burkina Faso, Chile, Colombia, Croatia, Czech Republic, Denmark, Ethiopia, Finland, Guatemala, Indonesia, Iran, Islamic Republic of, Iraq, Ireland, Jordan, Kenya, Kuwait, Libyan Arab Jamahiriya, Lebanon, Lithuania, Luxembourg, Malaysia, Malta, Morocco, Mozambique, Namibia, Netherlands, Nicaragua, Oman, Pakistan, Panama, Peru, Poland, Republic of Korea, South Africa, Spain, Sri Lanka, Thailand, Ukraine, United Arab Emirates, Uruguay, Venezuela, Viet Nam, Yemen, Yugoslavia and Zimbabwe.

3. The following organizations were represented: United Nations Development Programme, International Atomic Energy Agency, World Health Organization, Gulf Organization for Industrial Consulting, International Centre for Genetic Engineering and Biotechnology and International Institute of Refrigeration.

4. In accordance with rule 17 of its rules of procedure, the Committee elected by acclamation Mrs. O. Pellicer Silva (Mexico) as Chairperson; Mr. R. Sturm (Austria), Mr. A. Rimdap (Nigeria) and Mr. V. Garcia III (Philippines) as Vice-Chairmen; and Mrs. O. Tomová (Slovakia) as Rapporteur.

5. The agenda for the seventeenth session as adopted by the Committee is contained in document PBC.17/1. Following the adoption of the agenda, the Director-General made an introductory statement that was duly taken into account by the Committee in the consideration of the relevant agenda items.

6. The report of the Programme and Budget Committee is submitted to the Industrial Development Board in accordance with Article 10.4(d) of the Constitution.

7. The report contains the conclusions reached by the Committee. The annex to the present report contains a list of documents submitted to the Committee at its current session.

8. The following conclusions of the Committee contain recommendations that call for action by the Board at its twenty-fourth session or are of relevance to the work of that session:

Conclusion	Subject
2001/2	Financial situation including arrears
2001/3	Programme and budgets, 2002-2003
2001/4	Scale of assessments for apportionment of the regular budget expenses
2001/5	Working Capital Fund for the biennium 2002-2003
2001/6	Financial regulations
2001/7	Introduction of the euro
2001/8	Appointment of external auditor

I. ORGANIZATIONAL MATTERS

9. On 2 May, the Committee considered a proposal by the Chairperson to optimize the utilization of available conference-servicing resources and adopted the following conclusion:

Conclusion 2001/1

The Committee, with the aim of utilizing the available conference-servicing resources to the maximum extent possible, decided to suspend with immediate effect rule 24 of its rules of procedure relating to the quorum, for the meetings of its seventeenth session only, provided no substantive decisions were taken at those meetings.

10. The Committee also decided to set up informal in-session consultations with the aim of facilitating drafting conclusions and entrusted Mr. R. Sturm (Austria) (Vice-Chairman) to chair those consultations.

II. INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2000-2001; FINANCIAL SITUATION OF UNIDO; FINANCING OF UNIDO PROGRAMMES, INCLUDING NEW INITIATIVES FOR FUNDS MOBILIZATION (items 4, 5, 13)

11. On 2 May, the Committee considered the *Annual Report of UNIDO 2000* containing the interim programme performance report for the biennium 2000-2001 (PBC.17/2) and an addendum thereto containing a list of technical cooperation activities (PBC.17/2/Add.1), the interim financial performance report (PBC.17/6), a report by the Director-General on the financial situation, including arrears (PBC.17/8),

updated information on the payment of assessed contributions (PBC.17/CRP.2) and information in the *Annual Report of UNIDO 2000* on mobilization of financial resources (PBC.17/2, chapter V.E, appendix B), updated in a note by the Secretariat (PBC.17/CRP.5).

12. On 4 May, at the suggestion of the Chairperson, the Committee took note of the information provided by the Director-General on agenda item 4, Interim financial performance report and programme performance report for the biennium 2000-2001.

13. On 4 May, after consideration of a draft conclusion on the *financial situation of UNIDO* submitted by the Chairperson, the Committee adopted the following conclusion:

Conclusion 2001/2

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information provided in document IDB.24/8-PBC.17/8;

"(b) Urges those Member States and former Member States that have not yet paid their assessed contributions, including advances to the Working Capital Fund and prior years' arrears, to do so without delay."

14. On 4 May, at the suggestion of the Chairperson, the Committee took note of the information provided by the Director-General on agenda item 13, Financing UNIDO programmes, including new initiatives for funds mobilization.

III. PROGRAMME AND BUDGETS, 2002-2003; SCALE OF ASSESSMENTS FOR APPORTIONMENT OF THE REGULAR BUDGET EXPENSES; WORKING CAPITAL FUND FOR THE BIENNIUM 2002-2003 (items 6, 7, 8)

15. On 2 May, the Committee considered the proposals of the Director-General for the programme and budgets, 2002-2003 (PBC.17/3), notes by the Secretariat on decentralization to the field (PBC.17/CRP.4) and the operational budget (PBC.17/CRP.6), a note by the Secretariat on the scale of assessments for the fiscal period 2002-2003 (PBC.17/5) and proposals by the Director-General for the Working Capital Fund for the biennium 2002-2003 (PBC.17/4).

16. On 4 May, after consideration of a draft conclusion on *programme and budgets, 2002-2003* submitted by the Chairperson, the Committee adopted the following conclusion:

Conclusion 2001/3

The Programme and Budget Committee:

(a) Requested the Director-General to submit to the twenty-fourth session of the Industrial Development Board more details concerning the changes proposed to the programme framework as outlined in document PBC.17/3, taking into account the comments made by Member States, and their implications for the UNIDO budget as a whole, in particular on activities related to technical cooperation, in order to facilitate clarity and transparency;

(b) Urged the Director-General to seek to identify efficiencies in order to maximize the impact of UNIDO's available resources;

(c) Expressed its concern at the negative growth in the operational budget and the reduction of Major Programmes C and D, which constituted the core activities of UNIDO, and urged the Secretariat and Member States to do their utmost to reverse this trend;

(d) Recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(i) Adopts for submission to the General Conference for consideration and approval the programme and budgets for the biennium 2002-2003 as contained in document IDB.24/3-PBC.17/3;

"(ii) Recommends to the General Conference the approval of estimates of gross expenditures of €137,922,300 to be financed from assessed contributions in the amount of €133,689,800* and other income of €4,232,500;

"(iii) Also recommends to the General Conference the approval of estimates of gross expenditures totalling €22,372,600 for the purpose of the operational budget for the biennium 2002-2003 to be financed from voluntary contributions in the amount

* One member reserved its position on this figure.

of €21,998,000 and other income amounting to €374,600 as may be provided for in the financial regulations."

17. After the adoption of conclusion 2001/3, the Secretariat clarified that the Committee had recommended to the Industrial Development Board the proposed programme and budgets, 2002-2003, in its entirety with its appropriations as indicated in that conclusion, with a reservation expressed by one Committee Member on one figure. This clarification was accepted by all members of the Committee.

18. On 4 May, after consideration of a draft conclusion on *scale of assessments for apportionment of the regular budget expenses* submitted by the Chairperson, the Committee adopted the following conclusion:

Conclusion 2001/4

The Programme and Budget Committee:

(a) Took note of document IDB.24/5-PBC.17/5;

(b) Recommended that the Industrial Development Board propose to the General Conference the establishment of a scale of assessments for the fiscal period 2002-2003.

19. On 4 May, after consideration of a draft conclusion on *the working capital fund for the biennium 2002-2003* submitted by the Chairperson, the Committee adopted the following conclusion:

Conclusion 2001/5

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of document IDB.24/4-PBC.17/4;

"(b) Recommends to the General Conference that the level of the Working Capital Fund and the authorized purposes of the Fund for the 2002-2003 biennium remain the same as for the 2000-2001 biennium;

"(c) Urges Member States to pay their outstanding assessed contributions as soon as possible to minimize the need to withdraw sums to meet shortfalls in the payment of assessed contributions."

IV. FINANCIAL REGULATIONS; INTRODUCTION OF THE EURO; FOLLOW-UP TO THE REPORT OF THE EXTERNAL AUDITOR FOR THE BIENNIUM 1998-1999 (items 9, 10, 11)

20. On 2 May, the Committee considered a report by the Chairperson of the Intersessional working group on proposed amendments to the financial regulations, H.E. Mrs. Irene Freudenschuss-Reichl (Austria) (PBC.17/11), a note by the Secretariat on introduction of the euro (PBC.17/10) and a report by the Director-General on the implementation of measures recommended by the External Auditor (PBC.17/9).

21. On 4 May, the Committee considered a draft conclusion on *financial regulations* submitted by the Chairperson and adopted the following conclusion:

Conclusion 2001/6

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Recommends to the General Conference the simultaneous creation of a special account for certain activities under Buildings Management Services and a special account for the Regular Programme of Technical Cooperation, that would not be subject to financial regulations 4.2(b) and 4.2(c), it being understood that the Secretariat will strive to utilize to the fullest extent possible the funds budgeted for each biennium;

"(b) Requests the Director-General, at the end of each biennium, to submit to the General Conference, through the Industrial Development Board, a report on the status and balance of the accounts as well as the External Auditor's reports on these accounts, and the planned allocation of the unexpended resources in these special accounts;

"(c) Decides to extend the mandate of the Intersessional working group, under the chairmanship of Austria, with a view to submitting proposed amendments to the financial regulations to the Programme and Budget Committee."

22. On 4 May, the Committee considered a draft conclusion on *introduction of the euro* submitted by the Chairperson and adopted the following conclusion:

Conclusion 2001/7

The Programme and Budget Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information provided by the Secretariat in document IDB.24/10-PBC.17/10 on the introduction of the euro;

"(b) Recommends that the General Conference take note that all assets, liabilities, reserves and fund balances that are in Austrian schillings will be converted into euros by applying the fixed rate of ATS 13.7603 = €1;

"(c) Also recommends that the Conference note that the Director-General will continue to keep extrabudgetary accounts in United States dollars, if required, but will convert all such assets, liabilities, reserves and fund balances for the purposes of the financial statements at the United Nations euro/dollar exchange rate in effect on the date of the statement;

"(d) Recommends that the General Conference decide to convert all dollar-based amounts of the assets, liabilities, reserves and fund balances of the General Fund, Working Capital Fund and other headquarters funds as at 31 December 2001, using the December 2001 United Nations euro/dollar exchange rate."

23. On 4 May, at the suggestion of the Chairperson, the Committee took note of the information provided by the Director-General on agenda item 11, Follow-up to the report of the external auditor for the biennium 1998-1999.

V. APPOINTMENT OF EXTERNAL AUDITOR (item 12)

24. On 2 and 3 May, the Committee considered a report by the Director-General on candidatures for the appointment of an external auditor (PBC.17/7).

25. On 4 May, the Committee considered a draft conclusion on *appointment of external auditor* submitted by the Chairperson and adopted the following conclusion:

Conclusion 2001/8

The Programme and Budget Committee:

(a) Took note of the information contained in documents PBC.17/7-IDB.24/7 and Add.1, and PBC.17/CRP.3, concerning recommendations for the appointment of an external auditor;

(b) Also took note of statements made by a number of delegations on that issue;

(c) Further took note of the withdrawal of the candidatures of the Philippines and Morocco;

(d) Recommended that the Industrial Development Board propose to the General Conference the appointment of an external auditor for UNIDO for a period of two years beginning on 1 July 2002, under the terms of reference specified in the Financial Regulations of UNIDO.

VI. DATE OF THE EIGHTEENTH SESSION (item 14)

26. On 4 May, the Committee considered a draft conclusion on the *date of the eighteenth session* and adopted the following conclusion:

Conclusion 2001/9

The Programme and Budget Committee decided to hold its eighteenth session from 24 to 25 September 2002.

VII. ADOPTION OF THE REPORT (item 15)

27. On 4 May, the Committee adopted the draft report of its seventeenth session (PBC.17/L.1) on the understanding that the Rapporteur would be entrusted with the task of finalizing the report.

VIII. CLOSURE OF THE SESSION (item 16)

28. The Committee closed its seventeenth session at 3.55 p.m. on 4 May 2001.

Annex

LIST OF DOCUMENTS SUBMITTED TO THE SEVENTEENTH SESSION

Symbol	Agenda item	Title
PBC.17/1	3	Provisional agenda
PBC.17/1/Add.1	3	Annotated provisional agenda
PBC.17/2-IDB.24/2	4	*Annual Report of UNIDO 2000.* Interim programme performance report for the biennium 2000-2001
PBC.17/2/Add.1-IDB.24/2/Add.1 and Corr.1	4	*Annual Report of UNIDO 2000.* Interim programme performance report for the biennium 2000-2001. List of technical cooperation activities
PBC.17/3-IDB.24/3	6	Programme and budgets, 2002-2003. Proposals of the Director-General
PBC.17/4-IDB.24/4	8	Working Capital Fund for the biennium 2002-2003. Proposals by the Director-General
PBC.17/5-IDB.24/5	7	Scale of assessments for the fiscal period 2002-2003. Note by the Secretariat
PBC.17/6-IDB.24/6	4	Interim financial performance report for the biennium 2000-2001. Submitted by the Director-General
PBC.17/7-IDB.24/7 and Add.1	12	Candidatures for the appointment of an External Auditor. Report by the Director-General
PBC.17/8-IDB.24/8	5	Financial situation, including arrears. Report by the Director-General
PBC.17/9-IDB.24/9	11	Implementation of measures recommended by the External Auditor. Report by the Director-General
PBC.17/10-IDB.24/10	10	Introduction of the euro. Note by the Secretariat
PBC.17/11-IDB.24/11	9	Report by the Chairperson of the Intersessional working group on proposed amendments to the financial regulations, H.E. Mrs. Irene Freudenschuss-Reichl (Austria)
PBC.17/CRP.1	3	List of documents
PBC.17/CRP.2	5	Financial situation of UNIDO. Note by the Secretariat
PBC.17/CRP.3	12	Proposals for the appointment of an external auditor—Personal history statements. Note by the Secretariat
PBC.17/CRP.4	6	Decentralization to the field. Note by the Secretariat
PBC.17/CRP.5	13	Integrated programmes. Note by the Secretariat
PBC.17/CRP.6	13	Projects approved under the Industrial Development Fund, trust funds and other voluntary contributions in 2000. Prepared by the Secretariat
PBC.17/CRP.7	6	Estimates of technical cooperation delivery and operational budget income. Note by the Secretariat